Weekly Economic Review

Average weekly earnings extend gains

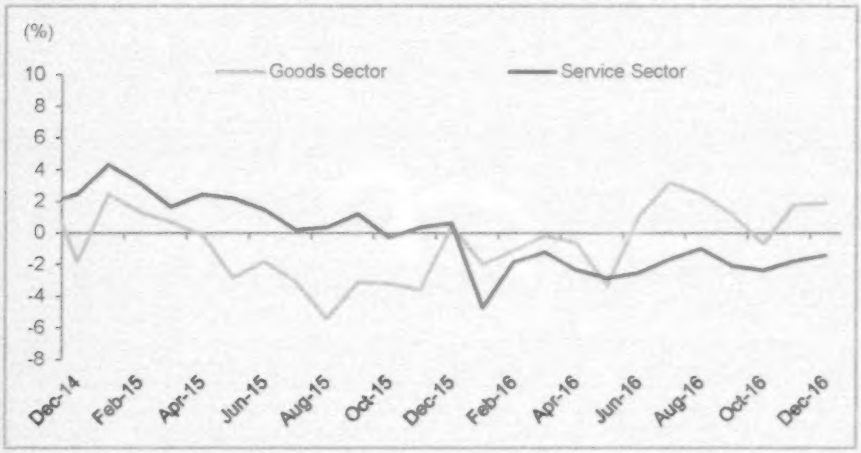
Average Weekly Earnings

Earnings post growth for second straight month

Average weekly earnings (AWE) ended 2016 on a positive note. In December, AWE rose for the second consecutive month to $1,130, up 1% month-over-month (m/m). Goods sector earnings increased by 1.3% m/m as AWE in construction (+0.9% m/m), manufacturing (+0.6% m/m) and forestry and logging (+6.6% m/m) rose. Meanwhile, the service sector posted its strongest monthly earnings growth since January 2015 (+1.5% m/m) led by solid gains in real estate, rental and leasing (+6.8% m/m) and administrative support and waste management (+7.9% m/m). Despite the monthly improvement, overall AWE fell for the second straight year in 2016 (-2.4%) as sustained weakness in service sector earnings (-2.2%) outweighed small gains in the goods sector (+0.3%) (Chart 1). Alberta continues to have the highest AWE in the country.

Chart 1: Service sector drags down earnings growth in 2016

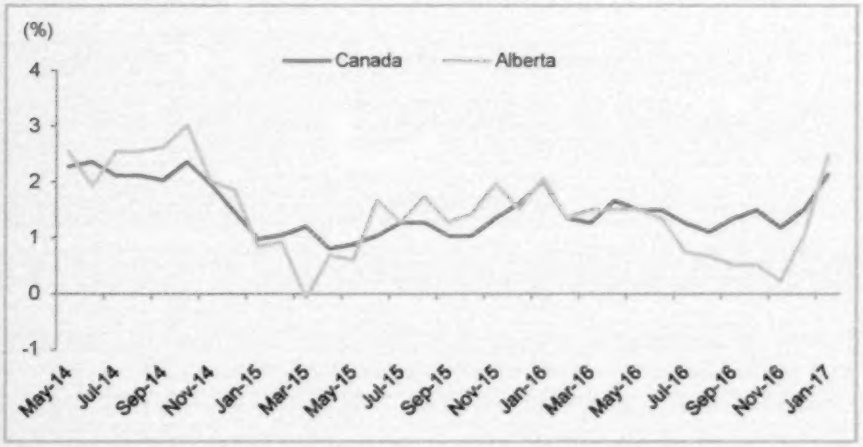
Year-over-year change in AWE in goods and service sectors



Source: Statistics Canada

Chart 2: Inflation accelerates across Canada in January

Year-over-year growth in Alberta and Canada CPI



Sources: Statistics Canada

Consumer Price Index

Consumer inflation accelerates

Inflation in Alberta accelerated in January to the highest rate since October 2014. The consumer price index (CPI) rose by 2.5% year-over-year (y/y) compared to an annual increase of only 1.1% over the last two years. The jump was largely attributable to a spike in the prices of gasoline (+33.9% y/y) and natural gas (+42.3% y/y). This partly reflects a rebound in energy prices from last year's depressed levels. Conversely, inflation was limited by declining food prices (-2.6% y/y), rent (-1.9% y/y) and homeowners replacement cost (-1.3% y/y). At the national level, higher energy prices pushed the inflation rate to 2.1% (Chart 2). Inflation accelerated in all provinces.

New Housing Investment

2016 tough year for residential construction

Alberta's residential construction sector was hit hard in 2016. Investment in new housing construction plunged 21% y/y to $575 million in December, the lowest level for that month in five years. While year-over-year declines in single (-9.4% y/y) and double dwellings (-0.4% y/y) eased considerably after

falling by more than 30% earlier in the year, investment declines accelerated in apartments (-42.8% y/y) and row dwellings (-35.6% y/y). For 2016 as whole, new housing investment fell nearly 27% reflecting declines across the board.

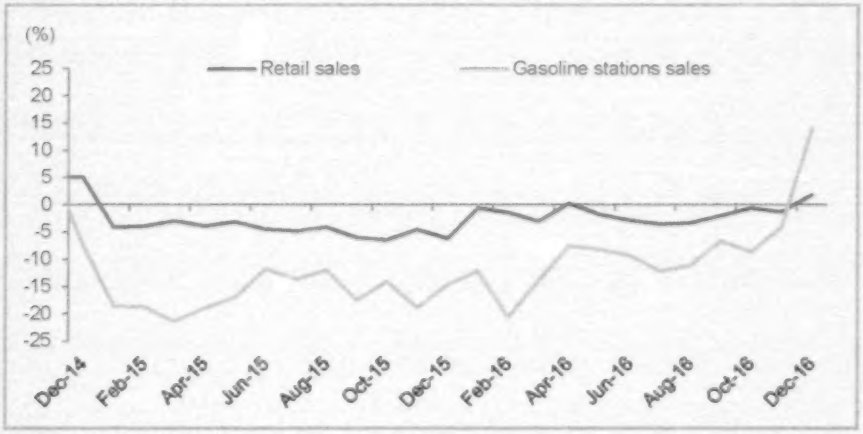
Retail Trade

Retail sales improve

Retail sales continue to improve since reaching a low in July 2016. After posting small gains in previous months, retail sales rose by 1.1% m/m in December and are now 3.1% higher than the July low (Chart 3). On a year-over-year basis, retail sales were up for the first time since December 2014 (+1.8% y/y), led by a spike in gasoline station sales (+14% y/y), which rose for the first time in over two years due to higher prices at the pump. Despite the recent improvement, overall retail sales fell by 1.6% in 2016.

Chart 3: Surge in gasoline station sales support retail sales

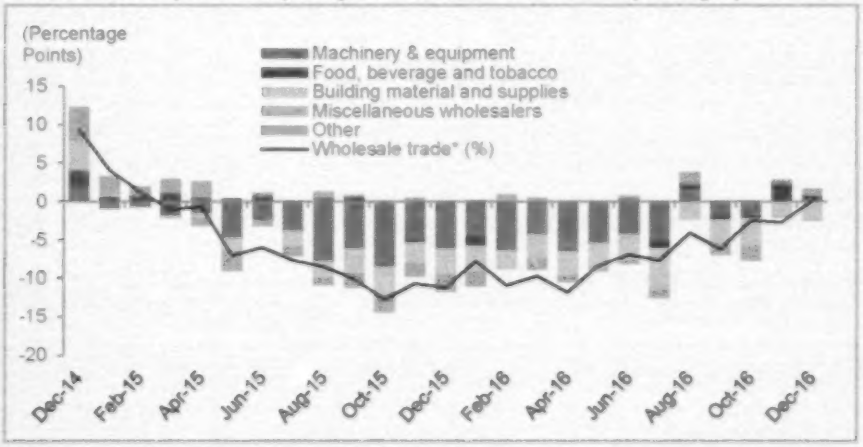
Year-over-year growth in overall retail sales and gasoline station sales



Source: Statistics Canada

Chart 4: Wholesale trade holds steady compared to year-ago level

Contribution to year-over-year growth in wholesale trade by category



Source: Statistics Canada; *seasonally adjusted

Wholesale Trade

Wholesale trade moves higher

Wholesale trade continued to pick up for the third month in a row. It rose by 2.3% m/m to reach $6.3 billion in December. Meanwhile, after year-over-year declines eased in the latter half of 2016, wholesale trade was roughly unchanged by the end of the year (+0.1% y/y) (Chart 4). Gains in major categories such as food, beverage and tobacco (+1.5% y/y), machinery, equipment and supplies (+1.5% y/y), and farm products (+31% y/y) offset declines in other categories. In addition, declines in building materials and supplies continued to abate (-14% y/y) after falling by more than 25% earlier in the year. In 2016, wholesale trade was down 6.7%, largely reflecting weakness in the first half of the year.

International Travel

Travel to Alberta jumps

The number of visitors directly entering Alberta posted its largest year-over-year increase in over ten years. A total of 70,123 non-Canadian residents entered Alberta in December, up 28% from the same month in 2015. The increase was largely driven by a spike in the number of non-US visitors (+57% y/y). The number of US visitors entering Alberta also grew (+16% y/y). At the national level, the number of visitors was up 11% due to higher visits of US (+7.3% y/y) and non-US residents (+21% y/y). After falling in November, the number of returning Canadian travellers increased 2.5% y/y, mostly due to higher visits to non-US destinations (+5.2% y/y).

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.